

VZCZCXRO7628  
PP RUEHDE RUEHFL RUEHKW RUEHLA RUEHROV RUEHSR  
DE RUEHLI #0492/01 0571758  
ZNY CCCCC ZZH  
P 261758Z FEB 08  
FM AMEMBASSY LISBON  
TO RUEHC/SECSTATE WASHDC PRIORITY 6642  
INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE  
RUEHHH/OPEC COLLECTIVE  
RUEHAS/AMEMBASSY ALGIERS 0071  
RUEHLU/AMEMBASSY LUANDA 0542  
RUEHMO/AMEMBASSY MOSCOW 0496  
RUEHTRO/AMEMBASSY TRIPOLI

C O N F I D E N T I A L SECTION 01 OF 02 LISBON 000492

SIPDIS

SIPDIS

STATE FOR EUR/WE KEVIN OPSTRUP

E.O. 12958: DECL: 02/05/2018

TAGS: [EPET](#) [ENRG](#) [ECON](#) [TRGY](#) [PO](#) [IR](#) [RS](#) [AG](#)

SUBJECT: POSSIBLE PORTUGUESE-IRANIAN GAS AGREEMENT ON THE  
HORIZON

REF: A. LISBON 02744

[1](#)B. LISBON 00238

LISBON 00000492 001.2 OF 002

Classified By: Pol/Econ Officer Tiffany McGriff, Reasons 1.4 (b),(d)

#### SUMMARY

-----  
[1](#)1. (C) Foreign Minister Luis Amado confirmed during a January 23 press conference that Portugal's largest energy company, Galp Energia, and Iran's National Oil Company, NIOC, are in negotiations over a natural gas exploration and production project in Iran. The Ministries of Foreign Affairs and Economy both claim to know very little about the talks, and Galp Energia, while acknowledging on-going talks with NIOC, has been less than forthcoming with details. One advisor at the Economy Ministry was willing to speculate that the talks possibly involved the construction of a natural gas pipeline and LNG station, but claimed to have no knowledge of the actual deal. Energy diversification is a key component of Portugal's national energy strategy and discussions with NIOC follows months of negotiations between Galp Energia and other energy-producing countries like Venezuela, Angola, Algeria, Libya and Russia (Refs A and B).

#### BACKGROUND -- PUTTING DIVERSIFICATION FIRST

-----  
[1](#)2. (SBU) Portugal, a country heavily dependent on energy imports with foreign sources providing between 80-90% of its primary energy needs, has made supply diversification a key component of its national energy strategy. This, according to Galp Energia's Director of Investor Relations Tiago Villas-Boas, is one of the motivating factors behind Galp Energia's recent talks with Iran, Venezuela, Angola, Algeria, Libya, Brazil and Russia. Villas-Boas confirmed via telephone that his company is in talks with the NIOC about a possible natural gas exploration and production project in Iran, but that no "material" agreement has been signed to date and that discussions are still on-going.

[1](#)3. (SBU) Galp Energia, the former state-owned oil and gas company in which the state retains a 7% stake, recently signed joint exploration and production agreements with Petroleos de Venezuela S.A. (PdVSA) and Libya Africa Investment Portfolio (LAP) in December 2007. In addition, a deal is in the works for Russia's Gazprom to acquire indirectly a minority stake in Galp Energia from Angola's Sonangol which currently owns a 45% stake in Amorim Energia,

which in turn owns 33% of Galp Energia (Reftel A).

#### PORTUGAL'S FOREIGN MINISTER CONFIRMS TALKS

14. (C) On January 23, FM Luis Amado and Iranian FM Manoucher Mottaki held a joint press conference following their meeting in Lisbon, in which Amado confirmed that Galp Energia and NIOC were in negotiations over a natural gas exploration and production project in Iran, among other things. Shortly afterwards, Pol/Econ Counselor questioned Amado's Diplomatic Advisor Paulo Lourenco about the comments, as they seemed to contradict Amado's statements to the Ambassador the previous day that Portugal planned to turn-up the heat on Tehran. Lourenco responded that Galp Energia was a private company and that the MFA's role was to advise companies on political matters rather than control their activities. Amado's mentioning of the negotiations, he argued, was only a small portion of the press conference, adding that the FM's office had little to do with the agreement and had limited knowledge about its details. Lourenco referred the situation to the Ministry of Economy (Reftel B).

#### THE INFLUENCE OF EX-POLITICIANS??

15. (C) Pol/Econ Officer subsequently met with Jose Neto, Energy Economist and Advisor to Economy Minister Manuel Pinho, and received a similar response. He stated that Minister Pinho had little to do with the discussion and was unfamiliar with the details. He went on to speculate that Fernando Manuel dos Santos Gomes, Galp Energia's Head of Exploration and Director of Business Production, former member of the European Parliament and former Minister of Internal Affairs, was influencing the talks, and that the MFA, contrary to Lourenco's comments, was more directly involved. Regarding the actual agreement, Neto speculated that it could involve the construction of a natural gas pipeline and LNG station in either the Persian Gulf or Gulf

LISBON 00000492 002.2 OF 002

of Oman.

16. (SBU) BIO: Jose (Isidoro d'Oliveira Carvalho) Neto was born on February 28, 1945, in Lisbon, and has a degree in Engineering from the Technical University of Lisbon (1970). He is a politically appointed Energy Economist in Economy Minister Manuel Pinho's Cabinet and formerly worked for the Department of Energy's Argonne National Laboratory (early 80s). He also worked for the Portuguese government in Brussels (6 years) and Paris (8 years) (Exact activities and dates unknown). He speaks Portuguese, English, and French fluently; and has working knowledge of Spanish, German and Russian.

#### COMMENT

17. (C) Post has expressed strong concern to both the MFA and the Ministry of Economy regarding a possible deal with Iran, but has been unable to learn much about the deal beyond what is published in the press. FM Amado is a strong proponent of tougher sanctions against Iran and is definitely aware of the political sensitivities, if not the ramifications, such a deal could provoke. It is unclear why the Ministries are playing the cards so close to the vest. On the other hand, Post's relations with Galp Energia have been weakened since former Ambassador Hoffman publicly criticized the company in November 2007 for signing natural gas and crude exploration and production agreements with Venezuela's PdVSA. Post is working to rebuild its Galp Energia relationship and hopes to have more information soon.

Stephenson